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ZNR UUUUU ZZH (CCY ADAE40E9 WSC3176-695)
O 011630Z JUL 08 ZDS
FM AMEMBASSY PANAMA
TO RUEHC/SECSTATE WASHDC IMMEDIATE 2227
RUEHZA/WHA CENTRAL AMERICAN COLLECTIVE
RUCPDO/DEPT OF COMMERCE WASHDC
RUEATRS/DEPT OF TREASURY WASHDC

UNCLAS PANAMA 000534

SENSITIVE
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E.O. 12958: N/A
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SUBJECT: PANAMA: 2008 REPORT ON INVESTMENT DISPUTES AND
EXPROPRIATION CLAIMS

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Accordingly.

¶1. (U) Below is Embassy Panama's input for the congressionally
mandated annual report on investment disputes as contemplated in
Section 527 of the FY 94-95 Foreign Relations Authorizations Act.

The United States is aware of one case in which United States
citizens have an outstanding claim against the Government of Panama.
There are no new cases since Embassy Panama's filing of the 2007
report.

¶2. (U) Last Update: 12 June 2008
a. Claimant A
b. 2005
c. In 1998, Claimant A invested \$11 million in a Panamanian energy
company's equity and arranged for the company to receive a \$17
million bank bridge loan convertible into bonds. Claimant A alleges
that both the equity and debt investments are subject to equal value
tax credits under Panamanian Law No. 28 of 1995. In March 2005, the
Vice-Minister of Finance notified Claimant A that the sale of the
original \$11 million in stock was not subject to any tax benefits.
Claimant A has taken the matter to arbitration under the U.S.-Panama
Bilateral Investment Treaty. Currently, jurisdictional matters are
being studied and Panama has until August to make a jurisdictional
claim. Panama may claim that the Claimant A is not a US company,
but rather a Bahaman company. Post believes the company is
American. Claimant A is also in litigation with various Panamanian
banks regarding payment of its bridge loan. The parties have come
to agreement if a judge approves the settlement. In previous years,
Claimant A sought assistance from various USG agencies in this
matter.

POST ACTION: Previously, Post had urged the GOP to resolve the tax
credit dispute promptly and fairly; but given that the matter is now
in arbitration and in the courts, Post plans no further action.
Post remains in contact with Claimant A and is monitoring the
matter.

List of Claimants:

Claimant A: Corporacion Panamena de Energia S.A. (70% interest held
by U.S. controlled companies, Unisource Energy Corporation and
Electric Machinery Enterprises Inc.)

Eaton